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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D.C.

THE PROPOSED DAIRY PRODUCTION ADJUSTMENT PROGRAM

(Statement to be presented at 15 regional meetings held between Apr. 1 and Apr. 15, 1934, to place before dairy farmers a proposed program for adjustment of the dairy industry)

The program which the Agricultural Adjustment Administration is submitting to dairy farmers in these regional conferences is in the nature of an offer. Acceptance of the offer will be up to the dairy farmers themselves. The plan is not final, but put forward for purposes of discussion and is subject to whatever improvement or modification can be made as a result of these conferences.

We want the most candid criticism because we are convinced that no program can succeed without support of large numbers of producers; the degree of success will depend upon the understanding, assent, and cooperation of producers. In no instance has the Adjustment Administration placed in effect a program of any kind without the approval of the producers in the branch of agriculture concerned. If the program should be accepted in its present or in amended form, it would be the seventh put into effect under the Agricultural Adjustment Act.

Dairy products are the only basic commodity listed in the act as it was passed, which have not been covered by an adjustment program already under way. In a general way, the dairy plan here outlined follows the broad principles that have been applied to wheat, cotton, and corn and hogs. The dairy plan, however, has variations to meet specific conditions in the dairy industry and to facilitate adaptation to specific regional needs.

Conditions in the dairy industry, its importance in the prosperity of the whole country, and our responsibility under the act prompt the Agricultural Adjustment Administration to put forward a tentative proposal; it is the best we have been able to devise, but nevertheless open to any merited modification or improvement.

Following are some of the specifications which were considered necessary for a successful dairy plan.

First, it should face the facts of huge potential supply and slackened demand.

Second, it should be a plan which it is practical to administer under the Adjustment Act.

Third, it should be quick and direct of application, not relying on the slight prospects of sweeping new legislation this late in

the session of Congress, but affording help soon to the individual dairy farmer.

Fourth, it should afford help to all major regions and phases of the dairy industry, whether engaged in production for fluid milk or for manufactured dairy products.

Fifth, it should be practicable in the light of existing world economic conditions.

Sixth, it should be designed to establish a sound basis for lasting recovery of the dairy industry.

Seventh, it should take consumer buying power into consideration.

The method of improvement afforded by the Agricultural Adjustment Act is clear. The policy defined in the act is to establish and maintain a balance between production and consumption as well as to reestablish farm buying power. The volume of consumption is dependent to a high degree upon factors which are beyond the control of the Adjustment Administration. Among these factors are factory pay rolls and employment in the cities. They are of the greatest importance to the dairy industry. The dairy industry should base its plans upon expectation of further improvement. The industry's plant should not be cut down to a capacity below that which can provide the maximum amount of dairy products which can be absorbed at reasonable prices with expectation of larger consumer purchasing power. But placing a check on production, pending further increase in buying power, may be desirable to avoid wrecking dairy prices.

The program we are now submitting to the dairy farmers is designed to hold dairy production as much below the usual, seasonal production as has been the case during the last few months.

It would be based upon contracts between the individual producers and the Secretary of Agriculture. Farmers who sign contracts would be required to reduce sales and would be assisted by the Department of Agriculture in making their own choice of the best paying methods. They will be eligible for benefit payments if they merely restrict sales and there could not be any restriction whatever upon their producing plant or upon the quantity or volume of production.

The effect of the proposed restriction on sales would be to put a check on sales volume at or about the level of the past 3 months output. But this would be a reduction below the high average sales volume of the 1932–33 base period. It would not involve any restriction upon the supply of fluid milk available for the city markets because whatever reduction is made would be made out of surplus supplies now going largely into manufactured products.

In addition to higher prices resulting from balanced production, and savings on feeding costs, cooperating farmers would be paid benefit payments. These benefits probably would be at the rate of about 40 cents for each pound of butterfat by which they reduce their sales below their 1932–33 sales quota; that would be about $1.50 on each 100 pounds of fluid milk by which they reduce below that quota, within the prescribed percentage limits. For individual farmers these limits would be 10 to 20 percent, with a 10 percent

average reduction in sales below the 1932–33 sales volume as the objective for the industry as a whole.

A substantial initial payment will be made on the acceptance of the contract, with a second payment after 6 months, and the balance at the end of the marketing year, upon evidence of fulfillment of the contract.

The processing tax would start at 1 cent per pound of butterfat when the program goes into effect, and under the plan proposed would be gradually advanced to 5 cents per pound as supply comes under control. There would be a compensating tax on oleomargarine, sufficient to prevent shifts to this product as a substitute for butter.

The plan is intended to be a 165 million dollar program. Intended for 1 year, it can be extended for an additional year at the Secretary's discretion and provided dairy farmers so desire. The plan is open to all dairymen, although of course, like any other plan which, so far as we know, has been proposed it would not affect the producer who produces milk for consumption by his own family, but does not sell butterfat in any form.

All farmers who sold milk during the 1932–33 period would be eligible to participate in the plan. Their sales quotas would be established by base-period delivery records or other adequate evidence.

Supervision would be local, through county production control associations and committees. The plan is to have sufficient flexibility to permit for it expansion of production in step with any substantial recovery that may later develop in consumer buying power. This attribute is of great importance because the opportunity for expanded consumption of dairy products in this country is exceedingly great.

Undoubtedly if the city wage earning and salary earning classes had abundant purchasing power, and if unemployment should be blotted out, great valleys in consumption of milk could be filled and the dairy industry could be expanded much beyond its present limits. At the present stage of purchasing power, of course, consumption could be expanded at lower prices. Ultimately enough farmers would be driven out of business so that dairy production would be contracted and consumption would fall.

The program includes important supplementary provisions.

It would set aside at least 5 million dollars to finance relief distribution of surplus milk to underfed children in cities. This fund would supplement expenditures already being made by the Emergency Relief Administration in providing milk for relief distribution. Through this feature the plan would actually tend to increase milk consumption in the cities, because it would not reduce the supplies of fluid milk available for commercial distribution.

Five million dollars would be allocated to finance transfer of healthy cows from surplus dairy areas to needy farm families which at present have no cows. This provision is important particularly because it would tend to implant the habit of milk consumption in farm areas where consumption at the present time is close to zero. The cows to be distributed would be such as were well suited for use by farm families.

A fund of at least 5 million dollars would be established to finance speeding up of bovine tuberculosis eradication, and possibly the elimination of other bovine diseases. This would launch what we hope would be a final drive to complete elimination of bovine tuberculosis.

These supplementary features would combine the best elements contained in suggestions which are outside of strict production adjustment measures.

Thus the plan seems to meet the specifications laid down earlier in the statement.

Centralized manufacturing industries restrict their output when demand declines. Dairy farmers would be given the centralizing power of the Government to help them follow this advantage, so as to prevent wreckage of their prices.

The program is quick and direct in application.

The benefit payments, expected to reach 150 million dollars, would be sent directly to the farmers themselves. The plan is applicable to all major dairy areas.

It would assist both fluid milk sheds and areas producing for butter, cheese, and condensary markets.

It would not require any reduction of cow numbers in deficit areas. It would relieve pressure on the fluid milk markets from the surplus producing regions.

The program is practicable in the light of world conditions. It involves no tariff changes. It invites no foreign retaliation by proposing either embargoes on imports or the dumping of exports.

The plan proposes to give farmers machinery to eliminate extreme price fluctuations in order to maintain stability and to establish a sound basis for recovery. The farmers can change their feeding and pasturing operations to lower their feeding costs and place their dairy operations on a permanently sounder and more economic basis. All production adjustments could be based on sound dairy practices.

It would be possible to let the dairy problem solve itself by letting nature take its course. That would probably mean the freezing out of dairy farmers.

Ultimately some kind of a balance at some price levels would be restored under the impact of cold economic forces, but to us, after a great deal of study, such a proposal as that described seems to afford a much better way.

We are offering a plan to make this adjustment possible.

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